



0000057418

**PREFERRED CARRIER SERVICES, INC.'S RESPONSES
TO ARIZONA CORPORATION COMMISSION STAFF'S
SECOND SET OF DATA REQUESTS TO
PREFERRED CARRIER SERVICES, INC.
DOCKET NO. T-03583A-98-0349**

RECEIVED

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AZ CORP COMMISSION
DOCUMENT CONTROL

1. Please be advised that a new form has been developed to process CC&N applications to provide alternative operator services and resold and facilities based local exchange and long distance telecommunications services. The form is located on the Arizona Corporation Commission website at www.cc.state.az.us/utility/forms. Please use the new CC&N application form for this docket.

Preferred Carrier Services, Inc. ("PCS") has provided responses to the data requests below by answering/updating the questions provided on the new CC&N Application Form (7/14/03 version). PCS has also provided updated information on the new CC&N Application which has changed since the original CC&N Application was submitted.

2. Make sure to answer (A-1), (A-8), (A-11) through (A-14), (A-17), (A-19), and (A-20) on the new application form dated 6/02/07.

Please see PCS' responses to (A-1), (A-8), (A-11) through (A-14), (A-17), (A-19), and (A-20) in the updated C&N Application Attached

3. In the initial application, the Company applied for statewide authority to provide resold local exchange telecommunications services in Arizona. Legal notice of the Company's application was published in four counties. Affidavits of publication of legal notice are required for the other counties in Arizona.

According to Docket Control Center, the Company submitted certification of service of publication of legal notice on October 12, 1999. Proof that legal notice was published in the other counties was not submitted in the October 12, 1999 filing or any other filing thereafter.

Please complete the legal notice requirement state in (A-16).

Please see PCS' response to (A-16) in the updated C&N Application Attached..

4. Make sure you answer Section B. questions (B-1) through (B-4). Also, make sure each item number in the question is answered.

Please see PCS' responses to (B-1) through (B-4) in the updated C&N Application Attached.

5. Make sure to answer section C question (C-1).

Please see PCS' responses to (C-1) in the updated C&N Application Attached

Arizona Corporation Commission

DOCKETED

AUG 11 2003

DOCKETED BY	
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6. Please provide updated financial information of Preferred Carrier Services, Inc. Note: If Preferred Carrier Services, Inc. will rely on the financial resources of its Parent Company, if any; the financial information should represent the Applicant's Parent Company.

Please see PCS' responses to (B-2) and (B-4) in the updated C&N Application Attached

7. If Preferred Carrier Services, Inc. has any current information since it file its initial application, please update your application and provide any additional material requested in the new CC&N application form.

Please see PCS' response to Question #1 above.

ARIZONA CORPORATION COMMISSION

**Application and Petition for Certificate of Convenience and Necessity to Provide
Intrastate Telecommunications Services**

Mail original plus 13 copies of completed application to:

For Docket Control Only:
(Please Stamp Here)

Docket Control Center
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007-2927

Please indicate if you have current applications pending
in Arizona as an Interexchange reseller, AOS provider,
or as the provider of other telecommunication services.

Type of Service: _____

Docket No.: _____ Date: _____ Date Docketed: _____

Type of Service: _____

Docket No.: _____ Date: _____ Date Docketed: _____

A. COMPANY AND TELECOMMUNICATION SERVICE INFORMATION

(A-1) Please indicate the type of telecommunications services that you want to provide in Arizona and answer the appropriate numbered items:

- ☐ Resold Long Distance Telecommunications Services (Answer Sections A, B).
- ☒ Resold Local Exchange Telecommunications Services (Answer Sections A, B, C).
- ☐ Facilities-Based Long Distance Telecommunications Services (Answer Sections A, B, D).
- ☐ Facilities-Based Local Exchange Telecommunications Services (Answer Sections A, B, C, D, E)
- ☐ Alternative Operator Services Telecommunications Services (Answer Sections A, B)

(A-2) The name, address, telephone number (including area code), facsimile number (including area code), e-mail address, and World Wide Web address (if one is available for consumer access) of the Applicant:

Preferred Carrier Services, Inc. *Tel. 972-503-3388*
14681 Midway Road, Suite 105 *Fax 972-503-3385*
Addison, Texas 75001 *Web: www.phonesforall.com*

(A-3) The d/b/a ("Doing Business As") name if the Applicant is doing business under a name different from that listed in Item (A-2):

(A-4) The name, address, telephone number (including area code), facsimile number (including area code), and E-mail address of the Applicant's Management Contact:

Alex Valencia, Vice President of Regulatory Affairs

Preferred Carrier Services, Inc. Tel. 972-503-3388

14681 Midway Road, Suite 105 Fax 972-503-3385

Addison, Texas 75001

e-mail: alex.valencia@phonesforall.com

(A-5) The name, address, telephone number (including area code), facsimile number (including area code), and E-mail address of the Applicant's Attorney and/or Consultant:

Alex Valencia, Vice President of Regulatory Affairs

Preferred Carrier Services, Inc. Tel. 972-503-3388

14681 Midway Road, Suite 105 Fax 972-503-3385

Addison, Texas 75001

e-mail: alex.valencia@phonesforall.com

(A-6) The name, address, telephone number (including area code), facsimile number (including area code), E-mail address of the Applicant's Complaint Contact Person:

Felix Montes, Customer Service Manager

Preferred Carrier Services, Inc. Toll Free 800-477-1992

14681 Midway Road, Suite 105 Fax 972-503-3385

Addison, Texas 75001

e-mail: alex.valencia@phonesforall.com

(A-7) What type of legal entity is the Applicant?

☐

Sole proprietorship

☐

Partnership: _____ Limited, _____ General, _____ Arizona, _____ Foreign

☐

Limited Liability Company: _____ Arizona, _____ Foreign

☐

Corporation: _____ "S", _____ "C", _____ Non-profit

☐

Domicile: _____ Arizona, _____ Foreign

☐

Other, specify: _____

(A-8) Please include "Attachment A":

Attachment "A" must include the following information:

1. A copy of the Applicant's Certificate of Good Standing as a domestic or foreign corporation, LLC, or other entity in the State of Arizona.
2. A list of the names of all owners, partners, limited liability company managers (or if a member managed LLC, all members), or corporation officers and directors (specify).
3. Indicate percentages of ownership of each person listed in A-8.2.

Please find attached an updated "Attachment A" from previous response (A-6) "Attachment A & I" from original Application.

(A-9) Include your Tariff as "Attachment B".

Your Tariff must include the following information:

1. Proposed Rates and Charges for each service offered (reference by Tariff page number).
2. Tariff Maximum Rate and Prices to be charged (reference by Tariff page number).
3. Terms and Conditions Applicable to provision of Service (reference by Tariff page number).
4. Deposits, Advances, and/or Prepayments Applicable to provision of Service (reference by Tariff page number).
5. The proposed fee that will be charged for returned checks (reference by Tariff page number).

(A-10) Indicate the geographic market to be served:

☐
☐

Statewide. (Applicant adopts statewide map of Arizona provided with this application).

Other. Describe and provide a detailed map depicting the area.

(A-11) Indicate if the Applicant or any of its officers, directors, partners, or managers has been or are currently involved in any formal or informal complaint proceedings pending before any state or federal regulatory commission, administrative agency, or law enforcement agency.

Describe in detail any such involvement. Please make sure you provide the following information:

1. States in which the Applicant has been or is involved in proceedings.
2. Detailed explanations of the Substance of the Complaints.
3. Commission Orders that resolved any and all Complaints.
4. Actions taken by the Applicant to remedy and/or prevent the Complaints from re-occurring.

Nothing to update from previous response (A-16) from original Application.

(A-12) Indicate if the Applicant or any of its officers, directors, partners, or managers has been or are currently involved in any civil or criminal investigation, or had judgments entered in any civil matter, judgments levied by any administrative or regulatory agency, or been convicted of any criminal acts within the last ten (10) years.

Describe in detail any such judgments or convictions. Please make sure you provide the following information:

1. States involved in the judgments and/or convictions.
2. Reasons for the investigation and/or judgment.

3. Copy of the Court order, if applicable.

Nothing to update from previous response (A-17) from original Application.

(A-13) Indicate if the Applicant's customers will be able to access alternative toll service providers or resellers via 1+101XXXX access.

☒ Yes

☐ No

(A-14) Is applicant willing to post a Performance Bond? Please check appropriate box(s).

☐ For Long Distance Resellers, a \$10,000 bond will be recommended for those resellers who collect advances, prepayments or deposits.

☐ Yes

☐ No

If "No", continue to question (A-15).

☒ For Local Exchange Resellers, a \$25,000 bond will be recommended.

☒ Yes

☐ No

If "No", continue to question (A-15).

☐ For Facilities-Based Providers of Long Distance, a \$100,000 bond will be recommended.

☐ Yes

☐ No

If "No", continue to question (A-15).

☐ For Facilities-Based Providers of Local Exchange, a \$100,000 bond will be recommended.

☐ Yes

☐ No

If "No", continue to question (A-15).

Note: Amounts are cumulative if the Applicant is applying for more than one type of service.

(A-15) If No to any of the above, provide the following information. Clarify and explain the Applicant's deposit policy (reference by tariff page number). Provide a detailed explanation of why the applicant's superior financial position limits any risk to Arizona consumers.

(A-16) Submit copies of affidavits of publication that the Applicant has, as required, published legal notice of the Application in all counties where the applicant is requesting authority to provide service.

Note: For Resellers, the Applicant must complete and submit an Affidavit of Publication Form as Attachment "C" before Staff prepares and issues its report. Refer to the Commission's website for Legal Notice Material (Newspaper Information, Sample Legal Notice and Affidavit of Publication). For Facilities-Based Service Providers, the Hearing Division will advise the Applicant of the date of the hearing and the publication of legal notice. Do not publish legal notice or file affidavits of publication until you are advised to do so by the Hearing Division.

Preferred Carrier Services, Inc. ("PCS") has provided affidavits for the counties of Coconino, Maricopa, Pima and Yuma; affidavits of publication of legal notice for the remainder of the State will be forthcoming, as PCS is in the process of filing the legal notice with Arizona Republic. Once completed, PCS will submit the affidavit in an updated "Attachment C."

(A-17) Indicate if the Applicant is a switchless reseller of the type of telecommunications services that the Applicant will or intends to resell in the State of Arizona:

☒ Yes ☐ No

If "Yes", provide the name of the company or companies whose telecommunications services the Applicant resells.

PCS will resell the local exchange services of Qwest Communications, Inc. f/ka as US West Communications, Inc.

(A-18) List the States in which the Applicant has had an application approved or denied to offer telecommunications services similar to those that the Applicant will or intends to offer in the State of Arizona:

Note: If the Applicant is currently approved to provide telecommunications services that the Applicant intends to provide in Arizona in less than six states, excluding Arizona, list the Public Utility Commission ("PUC") of each state that granted the authorization. For each PUC listed provide the name of the contact person, their phone number, mailing address including zip code, and e-mail address.

PCS is certified or otherwise authorized in the following states to provide local exchange services (facilities-based and/or resale): Alabama, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nevada, New Hampshire, New Jersey, New York, North Carolina, North Dakota, Ohio, Oregon, Pennsylvania, Rhode Island, South Carolina, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

(A-19) List the States in which the Applicant currently offers telecommunications services similar to those that the Applicant will or intends to offer in the State of Arizona.

Note: If the Applicant currently provides telecommunication services that the Applicant intends to provide in Arizona in six or more states, excluding Arizona, list the states. If the Applicant does not currently provide telecommunications services that the Applicant intends to provide in Arizona in five or less states, list the key personnel employed by the Applicant. Indicate each employee's name, title, position, description of their work experience, and years of service in the telecommunications services industry.

PCS currently provides local exchange services in the following states: Arkansas, California, Colorado, Connecticut, District of Columbia, Florida, Georgia, Idaho, Illinois, Indiana, Kansas, Louisiana, Michigan, Missouri, Nevada, New Jersey, New York, North Carolina, Oregon, Pennsylvania, South Carolina, Virginia, and Washington.

(A-20) List the names and addresses of any alternative providers of the service that are also affiliates of the telecommunications company, as defined in R14-2-801.

None.

B. FINANCIAL INFORMATION

(B-1) Indicate if the Applicant has financial statements for the two (2) most recent years.

☒ Yes ☐ No

If "No," explain why and give the date on which the Applicant began operations.

(B-2) Include "Attachment D".

Provide the Applicant's financial information for the two (2) most recent years.

1. A copy of the Applicant's balance sheet.
2. A copy of the Applicant's income statement.
3. A copy of the Applicant's audit report.
4. A copy of the Applicant's retained earnings balance.
5. A copy of all related notes to the financial statements and information.

Note: Make sure "most recent years" includes current calendar year or current year reporting period.

Please find attached an updated "Attachment D" from previous response (C-1) "Attachment D" from original Application.

(B-3) Indicate if the Applicant will rely on the financial resources of its Parent Company, if applicable.

Nothing to update from previous response (C-5) from original Application.

(B-4) The Applicant must provide the following information.

1. Provide the projected total revenue expected to be generated by the provision of telecommunications services to Arizona customers for the first twelve months following certification, adjusted to reflect the maximum rates for which the Applicant requested approval. Adjusted revenues may be calculated as the number of units sold times the maximum charge per unit.
2. Provide the operating expenses expected to be incurred during the first twelve months of providing telecommunications services to Arizona customers following certification.
3. Provide the net book value (original cost less accumulated depreciation) of all Arizona jurisdictional assets expected to be used in the provision of telecommunications service to Arizona customers at the end of the first twelve months of operation. Assets are not limited to plant and equipment. Items such as office equipment and office supplies should be included in this list.
4. If the projected value of all assets is zero, please specifically state this in your response.
5. If the projected fair value of the assets is different than the projected net book value, also provide the corresponding projected fair value amounts.

Please find attached, as "Attachment E," PCS' Arizona Business Forecast for the 24 month period ending October 1, 2005.

PCS' projected value of all assets within the State of Arizona will be zero. PCS will provision local exchange service within the State of Arizona strictly from reselling the service of Qwest Communications, from whom it will lease switch capacity and purchase interconnection. PCS does not intend to construct any distribution facilities in Arizona and therefore, will not have added capital expenditures.

C. RESOLD AND/OR FACILITIES-BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES

(C-1) Indicate if the Applicant has a resale agreement in operation,

☒

Yes

☐

No

If "Yes", please reference the resale agreement by Commission Docket Number or Commission Decision Number.

Approved on August 13, 2001, Docket No. T-01051B-01-0506, Decision No. 63945

D. FACILITIES-BASED LONG DISTANCE AND/OR FACILITIES BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES

(D-1) Indicate if the Applicant is currently selling facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services in the State of Arizona. This item applies to an Applicant requesting a geographic expansion of their CC&N:

☐

Yes

☐

No

If "Yes," provide the following information:

1. The date or approximate date that the Applicant began selling facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services for the State of Arizona.
2. Identify the types of facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services that the Applicant sells in the State of Arizona.

If "No," indicate the date when the Applicant will begin to sell facilities-based long distance telecommunications AND/OR facilities-based local exchange telecommunications services in the State of Arizona:

(D-2) Check here if you wish to adopt as your petition a statement that the service has already been classified as competitive by Commission Decision:

- ☐ Decision # 64178 Resold Long Distance
- ☐ Decision # 64178 Resold LEC
- ☐ Decision # 64178 Facilities Based Long Distance
- ☐ Decision # 64178 Facilities Based LEC

E. FACILITIES-BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES

(E-1) Indicate whether the Applicant will abide by the quality of service standards that were approved by the Commission in Commission Decision Number 59241:

- ☐ Yes ☐ No

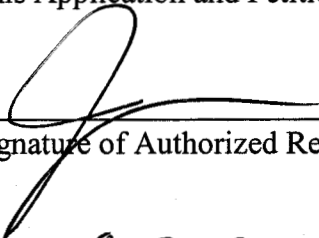
(E-2) Indicate whether the Applicant will provide all customers with 911 and E911 service, where available, and will coordinate with incumbent local exchange carriers ("ILECs") and emergency service providers to provide this service:

- ☐ Yes ☐ No

(E-3) Indicate that the Applicant's switch is "fully equal access capable" (i.e., would provide equal access to facilities-based long distance companies) pursuant to A.A.C. R14-2-1111 (A):

- ☐ Yes ☐ No

I certify that if the applicant is an Arizona corporation, a current copy of the Articles of Incorporation is on file with the Arizona Corporation Commission and the applicant holds a Certificate of Good Standing from the Commission. If the company is a foreign corporation or partnership, I certify that the company has authority to transact business in Arizona. I certify that all appropriate city, county, and/or State agency approvals have been obtained. Upon signing of this application, I attest that I have read the Commission's rules and regulations relating to the regulations of telecommunications services (A.A.C. Title 14, Chapter 2, Article 11) and that the company will abide by Arizona state law including the Arizona Corporation Commission Rules. I agree that the Commission's rules apply in the event there is a conflict between those rules and the company's tariff, unless otherwise ordered by the Commission. I certify that to the best of my knowledge the information provided in this Application and Petition is true and correct.


(Signature of Authorized Representative)

8-7-03
(Date)

Alex Valencia
(Print Name of Authorized Representative)

VP of Regulatory Affairs
(Title)

SUBSCRIBED AND SWORN to before me this 7th day of August, 2003



Beatriz G. Martinez
NOTARY PUBLIC

My Commission Expires April 29, 2006

ATTACHMENT A
OFFICERS, DIRECTORS AND OWNERSHIP

OFFICERS

CEO/President

Frank Schmaeling

Executive Vice President/General Counsel/Secretary

Barry Casey

Treasurer

Alison Robertson

Vice President of Regulatory Affairs

Alex Valencia

DIRECTORS

Frank Schmaeling

OWNERSHIP

All of the issued and outstanding stock of Preferred Carrier Services, Inc. is owned one-hundred percent (100%) by Phones For All, Inc., a Delaware corporation.

ATTACHMENT D

FINANCIAL INFORMATION

PREFERRED CARRIER SERVICES, INC.
BALANCE SHEET

December 31, 2002

Assets

Current Assets

Cash	74,422.62
Restricted Cash	10,124.60
Accounts Receivable-Agents	107,447.38
Allowance For Doubtful Accounts	(31,702.02)
A/R Other	65,296.36
Prepays	10,831.43
LEC Credits Receivable:	0.00
Deposits	61,762.09
A/R - Employees & Other	2,168.78
TOTAL Current Assets	<u>300,351.24</u>

Fixed Assets

Furniture & Fixtures	130,084.74
Office Equipment	34,460.85
Computer & Network Equipment	517,257.54
Phone Equipment	373,114.41
Software	265,298.57
Leasehold Improvements	12,427.93
Accum Depr - Furn & Fixtures	(1,086,840.77)
TOTAL Fixed Assets	<u>245,803.27</u>

Other Assets

Goodwill - PCS Purchase	1,100,000.00
Accum Amortization - Goodwill	(568,332.97)
TOTAL Other Assets	<u>531,667.03</u>

TOTAL ASSETS	<u><u>1,077,821.54</u></u>
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PREFERRED CARRIER SERVICES, INC.

BALANCE SHEET

December 31, 2002

Liabilities & Equity

Current Liabilities

Accounts Payable	2,327,895.07
Accrued Expenses - Other	118,165.47
Accrued Medical Expenses	7,146.99
Accrued Vacation	0.00
Accrued Salaries & 401K	8,302.98
Accrued Commissions	0.00
Capital Leases	0.00
Federal Withholding	1,122.16
FICA - Employer	1,277.70
Federal Unemployment	3.35
State Unemployment	10.95
Telecom Tax - State	687,062.95
FCC - 3% Excise Tax	31,756.33
Sales Tax - State	0.00
Unearned Revenue	674,326.58
Southland	25,795.28
Circle K	23,483.17
Speedway Super America	7,522.27
TOTAL Current Liabilities	3,913,871.25

Long Term Liabilities

Accrued Statutory Liabilities	671,955.53
Capital Leases - Long-term	0.00
Notes Payable	1,207,795.34
Accrued Interest	0.00
TOTAL Long Term Liabilities	1,879,750.87

TOTAL LIABILITIES

5,793,622.12

Equity

Common Stock	5,000.00
Paid In Capital	0.00
Retained Earnings	(3,153,311.50)
Retained Earnings-Current Year	(1,567,489.08)
TOTAL Equity	(4,715,800.58)

TOTAL Liabilities AND Equity

1,077,821.54

PREFERRED CARRIER SERVICES, INC.
STATEMENT OF OPERATIONS
FOR THE PERIOD ENDED:
December 31, 2002

	<u>YEAR TO DATE</u>
OPERATING REVENUES	
Sales-Phone Service	6,037,373.87
Telecom Taxes	(359,047.78)
Returns - Local	(42,522.41)
TOTAL OPERATING REVENUES	<u>5,635,803.68</u>
COST OF REVENUES	
Local Monthly Service	3,107,383.21
FCC Surcharges	(551,310.00)
Distribution Costs	42,710.40
TOTAL COST OF REVENUES	<u>2,598,783.61</u>
GROSS PROFIT	<u>3,037,020.07</u>
OPERATING EXPENSES	
Selling Expense	1,162,434.34
G & A Expense	2,192,616.72
Rent - Housing	259,062.64
TOTAL OPERATING EXPENSES	<u>3,614,113.70</u>
EBITDA	<u><u>(577,093.63)</u></u>
OTHER INCOME(EXPENSES)	
Interest Income	124.60
Uncatergorized Income(Expense)	0.00
Interest Expense Vendors	(575,002.17)
Penalties & Late Fees	(61,410.07)
Depreciation	(216,601.58)
Amortization - Leasehold Impr	0.00
Amortization - Goodwill	(109,999.92)
Professional Fees	(506.31)
Statutory Filing Fees	(27,000.00)
TOTAL OTHER INCOME(EXPENSES)	<u>(990,395.45)</u>
NET INCOME(LOSS)	<u><u>(1,567,489.08)</u></u>
EXTRAORDINARY GAIN(LOSS)	0.00
NET INCOME AFTER EXTRAORDINARY ITEMS	<u><u>(1,567,489.08)</u></u>

PREFERRED CARRIER SERVICES, INC.
STATEMENT OF OPERATIONS
FOR THE PERIOD ENDED:

YTD 2002

Cash Flow From Operating Activities:

Net Income from Operating Activities	(1,567,489.08)
Depreciation & Amortization	324,340.19
Deferred Taxes	0.00
Investment Credit	0.00
Changes in Assets & Liabilities:	
Receivables, net	440,253.96
Prepaid & Deposits	136.47
Accounts & Wages Payable	974,823.12
Accrued Taxes	1,405.01
Other-Liabilities	(35,635.63)
Net Cash Provided by Operating Activities	137,834.04

Cash Flow From Investing Activities:

Fixed Assets	(11,273.55)
Capital Leases	(1,468.41)
Purchase of PCS	0.00
	(12,741.96)

Cash Flow From Financing Activities:

Cash Flow From Financing Activities:

Issuance of Debt	(305,164.66)
Accrued Interest	0.00
Paid in Capital	0.00
Retained Earnings	

Cash Flow From Financing Activities: (305,164.66)

Net Change in Cash (180,072.58)

Cash at the Beginning of the Period 264,619.80

Cash at the End of the Period 84,547.22

PREFERRED CARRIER SERVICES, INC. **BALANCE SHEET**

As of:

December 31, 2001

Assets

Current Assets

Cash	262,927.29
Restricted Cash	1,692.51
Accounts Receivable-Agents	602,879.03
Allowance For Doubtful Accounts	(58,105.91)
A/R Other	(2,178.51)
Prepays	6,689.09
LEC Credits Receivable:	
Ameritech	33,996.77
Bell Atlantic	0.00
Bell South	(41.54)
GTE	6,934.92
Pacific Bell	0.00
SW Bell	0.00
Sprint	(338.15)
US West	0.00
Deposits	66,040.90
A/R - Employees & Other	317.85
TOTAL Current Assets	920,814.25

Fixed Assets

Furniture & Fixtures	131,132.87
Office Equipment	34,460.85
Computer & Network Equipment	505,982.86
Phone Equipment	372,774.41
Software	264,591.57
Leasehold Improvements	12,427.93
Accum Depr - Furn & Fixtures	(872,500.50)
TOTAL Fixed Assets	448,869.99

Other Assets

Goodwill - PCS Purchase	1,100,000.00
Accum Amortization - Goodwill	(458,333.05)
TOTAL Other Assets	641,666.95

TOTAL ASSETS	2,011,351.19
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PREFERRED CARRIER SERVICES, INC.
BALANCE SHEET

As of:

December 31, 2001

Liabilities & Equity

Current Liabilities

Accounts Payable	1,438,601.55
Accrued Expenses - Other	(24,700.99)
Accrued Medical Expenses	38,661.84
Accrued Vacation	0.00
Accrued Salaries & 401K	27,878.92
Accrued Commissions	0.00
Capital Leases	1,468.41
Federal Withholding	4,262.85
FICA - Employer	4,303.10
Federal Unemployment	25.65
State Unemployment	68.63
Telecom Tax - State	670,157.08
FCC - 3% Excise Tax	37,237.08
Sales Tax - State	0.00
Unearned Revenue	300,000.00
Southland	422,819.86
Circle K	34,147.34
Speedway Super America	9,795.73
TOTAL Current Liabilities	2,964,727.05

Long Term Liabilities

Accrued Statutory Liabilities	681,975.64
Capital Leases - Long-term	0.00
Notes Payable	1,512,960.00
Accrued Interest	0.00
TOTAL Long Term Liabilities	2,194,935.64

TOTAL LIABILITIES

5,159,662.69

Equity

Common Stock	5,000.00
Paid In Capital	0.00
Retained Earnings	(1,650,779.50)
Retained Earnings-Current Year	(1,502,532.00)
TOTAL Equity	(3,148,311.50)

TOTAL Liabilities AND Equity

2,011,351.19

PREFERRED CARRIER SERVICES, INC.
STATEMENT OF OPERATIONS
FOR THE PERIOD ENDED:
December 31, 2001

YEAR TO DATE

OPERATING REVENUES

Sales-Phone Service	11,897,553.75
FCC Taxes	(423,260.98)
Returns - Local	(72,888.08)
TOTAL OPERATING REVENUES	11,401,404.69

COST OF REVENUES

Local Monthly Service	6,494,093.28
FCC Surcharges	(231,595.00)
Distribution Costs	199,475.64
TOTAL COST OF REVENUES	6,461,973.92

GROSS PROFIT

4,939,430.77

OPERATING EXPENSES

Selling Expense	2,375,499.84
G & A Expense	3,340,260.14
Rent - Housing	258,429.15
TOTAL OPERATING EXPENSES	5,974,189.13

EBITDA

(1,034,758.36)

OTHER INCOME(EXPENSES)

Interest Income	19,182.58
Uncatergorized Income(Expense)	35.00
Interest Expense Vendors	(85,550.14)
Penalties & Late Fees	(17,274.01)
Depreciation	(254,807.41)
Amortization - Leasehold Impr	0.00
Amortization - Goodwill	(109,999.92)
Professsional Fees- Legal	(13,822.74)
Statutory Filing Fees	(29,388.74)
TOTAL OTHER INCOME(EXPENSES)	(491,625.38)

NET INCOME(LOSS)

(1,526,383.74)

EXTRAORDINARY GAIN(LOSS)

23,851.74

NET INCOME AFTER EXTRAORDINARY ITEMS

(1,502,532.00)

**PREFERRED CARRIER SERVICES, INC.
STATEMENT OF OPERATIONS
FOR THE PERIOD ENDED:**

YTD 2001

Cash Flow From Operating Activities:

Net Income from Operating Activities	(1,502,532.00)
Depreciation & Amortization	364,807.33
Deferred Taxes	0.00
Investment Credit	0.00
Changes in Assets & Liabilities:	
Receivables, net	(374,337.17)
Prepaid & Deposits	77,840.88
Accounts & Wages Payable	99,388.33
Accrued Taxes	(21,598.79)
Other-Liabilities	115,565.75
Net Cash Provided by Operating Activities	(1,240,865.67)

Cash Flow From Investing Activities:

Fixed Assets	(8,723.33)
Capital Leases	(26,796.19)
Purchase of PCS	0.00
	(35,519.52)

Cash Flow From Financing Activities:

Cash Flow From Financing Activities:

Issuance of Debt	1,512,960.00
Accrued Interest	0.00
Paid in Capital	5,000.00
Retained Earnings	

Cash Flow From Financing Activities: 1,517,960.00

Net Change in Cash 241,574.81

Cash at the Beginning of the Period 23,044.99

Cash at the End of the Period 264,619.80

ATTACHMENT E

**ARIZONA BUSINESS FORECAST FOR 24 MONTH PERIOD
ENDING OCTOBER 1, 2005**

Preferred Carrier Services, Inc
Arizona Business Forecast
For the 24 Month Period Ending 10/1/05

	10/1/2003	11/1/2003	12/1/2003	1/1/2004	2/1/2004	3/1/2004	4/1/2004	5/1/2004	6/1/2004	7/1/2004	8/1/2004	9/1/2004	10/1/2004
New Customers	100	107	114	123	131	140	150	161	172	184	197	210	225
Total Customers	100	307	421	544	675	815	965	1,126	1,298	1,482	1,678	1,889	2,114
Revenue	\$6,999	\$15,487	\$20,290	\$25,429	\$30,929	\$36,813	\$43,109	\$49,845	\$57,054	\$64,766	\$73,019	\$81,849	\$91,298
Cost of Sales	\$7,000	\$11,490	\$14,154	\$17,005	\$20,055	\$23,319	\$26,812	\$30,549	\$34,547	\$38,825	\$43,403	\$48,301	\$53,542
Telecom Taxes	\$350	\$774	\$1,015	\$1,271	\$1,546	\$1,841	\$2,155	\$2,492	\$2,853	\$3,238	\$3,651	\$4,092	\$4,565
Gross Profit	(\$351)	\$3,223	\$5,121	\$7,153	\$9,327	\$11,653	\$14,141	\$16,805	\$19,654	\$22,703	\$25,965	\$29,456	\$33,191
Advertising	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
Billing Costs	\$135	\$135	\$135	\$135	\$135	\$135	\$135	\$135	\$135	\$135	\$135	\$135	\$135
Bad Debt	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13
Commissions	\$15	\$929	\$1,217	\$1,526	\$1,856	\$2,209	\$2,587	\$2,991	\$3,423	\$3,886	\$4,381	\$4,911	\$5,478
Communications	\$475	\$475	\$475	\$475	\$475	\$475	\$475	\$475	\$475	\$475	\$475	\$475	\$475
Travel	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60
Office & Rent Expense	\$391	\$391	\$391	\$391	\$391	\$391	\$391	\$391	\$391	\$391	\$391	\$391	\$391
Legal & Professional Fees	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5
Insurance	\$88	\$88	\$88	\$88	\$88	\$88	\$88	\$88	\$88	\$88	\$88	\$88	\$88
Payroll	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Postage & Delivery	\$42	\$42	\$42	\$42	\$42	\$42	\$42	\$42	\$42	\$42	\$42	\$42	\$42
Miscellaneous	\$17	\$17	\$17	\$17	\$17	\$17	\$17	\$17	\$17	\$17	\$17	\$17	\$17
Total Operating Expenses	\$3,791	\$4,705	\$4,993	\$5,302	\$5,632	\$5,985	\$6,363	\$6,767	\$7,199	\$7,662	\$8,157	\$8,687	\$9,254
Net Operating Income/(Loss)	(\$4,142)	(\$1,483)	\$128	\$1,851	\$3,695	\$5,668	\$7,779	\$10,038	\$12,455	\$15,041	\$17,808	\$20,769	\$23,937
Accounts Receivable*	\$2,450	\$5,420	\$7,102	\$8,900	\$10,825	\$12,884	\$15,088	\$17,446	\$19,969	\$22,668	\$25,557	\$28,647	\$31,954

*Accounts Receivable historically run 35% of Revenue.
Accounts Receivable are low due to monthly recurring charges paid in advance.

Preferred Carrier Services, Inc
Arizona Business Forecast
For the 24 Month Period Ending 10/1/05

	11/1/2004	12/1/2004	1/1/2005	2/1/2005	3/1/2005	4/1/2005	5/1/2005	6/1/2005	7/1/2005	8/1/2005	9/1/2005	10/1/2005
New Customers	241	258	276	295	316	338	362	387	414	443	474	507
Total Customers	2,355	2,613	2,889	3,184	3,500	3,838	4,200	4,587	5,001	5,444	5,918	6,425
Revenue	\$101,408	\$112,226	\$123,800	\$136,186	\$149,438	\$163,617	\$178,790	\$195,024	\$212,395	\$230,981	\$250,869	\$272,149
Cost of Sales	\$59,150	\$65,151	\$71,571	\$78,441	\$85,792	\$93,658	\$102,074	\$111,079	\$120,714	\$131,024	\$142,056	\$153,860
Telecom Taxes	\$5,070	\$5,611	\$6,190	\$6,809	\$7,472	\$8,181	\$8,939	\$9,751	\$10,620	\$11,549	\$12,543	\$13,607
Gross Profit	\$37,187	\$41,464	\$46,039	\$50,935	\$56,174	\$61,779	\$67,776	\$74,194	\$81,061	\$88,408	\$96,270	\$104,682
Advertising	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
Billing Costs	\$135	\$135	\$135	\$135	\$135	\$135	\$135	\$135	\$135	\$135	\$135	\$135
Bad Debt	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13
Commissions	\$6,084	\$6,734	\$7,428	\$8,171	\$8,966	\$9,817	\$10,727	\$11,701	\$12,744	\$13,859	\$15,052	\$16,329
Communications	\$475	\$475	\$475	\$475	\$475	\$475	\$475	\$475	\$475	\$475	\$475	\$475
Travel	\$80	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60
Office & Rent Expense	\$391	\$391	\$391	\$391	\$391	\$391	\$391	\$391	\$391	\$391	\$391	\$391
Legal & Professional Fees	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5
Insurance	\$88	\$88	\$88	\$88	\$88	\$88	\$88	\$88	\$88	\$88	\$88	\$88
Payroll	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Postage & Delivery	\$42	\$42	\$42	\$42	\$42	\$42	\$42	\$42	\$42	\$42	\$42	\$42
Miscellaneous	\$17	\$17	\$17	\$17	\$17	\$17	\$17	\$17	\$17	\$17	\$17	\$17
Total Operating Expenses	\$9,860	\$10,510	\$11,204	\$11,947	\$12,742	\$13,593	\$14,503	\$15,477	\$16,520	\$17,635	\$18,828	\$20,105
Net Operating Income/(Loss)	\$27,327	\$30,954	\$34,835	\$38,988	\$43,431	\$48,186	\$53,273	\$58,716	\$64,541	\$70,773	\$77,442	\$84,577
Accounts Receivable*	\$35,493	\$39,279	\$43,330	\$47,665	\$52,303	\$57,266	\$62,576	\$68,258	\$74,338	\$80,843	\$87,804	\$95,252

Assumptions

Revenue Existing Customers Average 39.99

Revenue New Customers 69.99

LEC Cost Per Existing Customer \$20.00

LEC Cost Per New Customer \$70.00

Growth Rate 7% of Previous New Customers

Operating Expenses Based on Apportionment (0.0172246) of Nationwide Operating Expenses